

## I. COMPENSATION POLICY PURPOSE & PHILOSOPHY

- (A) In order for the South Carolina Retirement System Investment Commission (“RSIC”) to remain competitive in its efforts to attract, hire, retain, and motivate a high quality staff, a reasonable and competitive compensation plan is critical.
- (B) RSIC recognizes the importance of attracting and retaining a high-caliber professional staff to achieve its business and investment objectives at controlled levels of risk.
- (C) By offering a competitive base salary, contingent performance increases, and potential performance incentive pay to RSIC’s investment professionals, RSIC enhances its ability to fulfill its mission of *“prudently managing all assets held in trust for the sole benefit of the participants and beneficiaries of the South Carolina Retirement Systems”* and to further incentivize staff to *“seek long-term investment results at an acceptable level of risk.”*
- (D) RSIC seeks to encourage staff to develop a strong commitment to the performance of the Portfolio while accomplishing a strong collective focus and individual accountability.
- (E) RSIC fosters a collaborative, cohesive staff by noting the importance of each member of the staff and his or her valuable contributions to the overall mission of the RSIC.
- (F) RSIC acknowledges that performance incentive pay is a standard practice in the private investment arena and a common practice among leading public funds as well.
- (G) To ensure prudence and effectiveness of the RSIC’s Compensation Policy, in aggregate, maximum individual performance incentive payouts are calibrated to represent a small portion of the above-benchmark value that investment staff may generate in implementing RSIC investment decisions, making recommendations, assisting senior management in rebalancing the Portfolio, and otherwise fulfilling their responsibilities.
- (H) RSIC seeks to prevent an “Agency Problem” wherein incentive compensation could encourage excessive risk taking by investment staff. The Commission mitigates this by expressing its risk tolerance through its Annual Investment Plan (“AIP”) and requiring an independent review of compliance to the AIP as a key component of the Performance Incentive Compensation (“PIC”) Plan. (*The “AIP” is an annual plan for the South Carolina Retirement Systems’ investments required by South Carolina law. See [§9-16-320](#)*)

## II. AUTHORITY

### (A) Statutory

- 1) Codified in 2005, S.C. Code Ann. §9-16-315(G) provides that the RSIC shall employ a Chief Investment Officer (“CIO”), who must receive the compensation the Commission determines appropriate.
- 2) S.C. Code Ann. §9-16-315(G) provides further that the Commission may employ other professional, administrative, and clerical personnel it determines necessary and fix their compensation.

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- 3) Neither the CIO's compensation nor any other Commission employee's compensation is subject to the state compensation plan.
- 4) Any reference to "performance increase", "performance pay", "performance incentive payout", "performance incentive payment", "performance incentive compensation", or other terminology to this effect is not intended to parallel, correspond, or in any way comply with definitions of such terms in South Carolina law regarding classified employees and those subject to the state compensation plan.
- 5) Pursuant to S.C. Code Ann. §9-16-315(G) and any applicable law, the RSIC reserves the right to modify, terminate, and/or rescind any and/or all of the compensation schedules, provisions, policies, and procedures contained in this and/or any supporting documents at any time. This document sets forth a policy and does not create or provide a contract, guarantee of payment, or guarantee of employment between the RSIC, SCRS, or the State of South Carolina and the employees described in this document.

**(B) Compliance with State and Federal Law:** If the Commission or a court having appropriate jurisdiction determines that any portion of the Compensation Policy violates an applicable state or federal law, that portion will not be in effect at any time. The remaining portions of the Compensation Policy will remain in full force and effect to the maximum extent possible.

### **III. ADMINISTRATION OF POLICY**

- (A)** Subject to the provisions of this Policy and at the Commission's sole discretion, the CIO will be responsible for the day-to-day administration of this Policy, in collaboration with the Executive Director (ED).
- (B)** The Commission retains full and complete responsibility for reviewing, approving and determining all aspects of compensation for the ED and the CIO.
- (C)** The Commission's Compensation Committee retains full and complete responsibility for establishing and adjusting the base salaries of RSIC employees other than the ED and the CIO with an annual base salary of \$150,000 or more.
- (D)** For purposes of this Policy, the term "senior management" includes: (1) the ED; (2) the CIO; and (3) any and all employees with an annual base salary rate of \$150,000 or more, and the term "PIC eligible senior management" includes the CIO and any RSIC investment professionals with an annual base salary rate of \$150,000 or more.
- (E)** Subject to the provisions of this Policy and at the Commission's sole discretion, the ED and CIO may delegate certain administrative responsibilities to other staff of RSIC as they deem appropriate, in accordance with the Commission's Governance Policies.
- (F)** The ED and the CIO will prepare a report for the Commission detailing the financial impact of performance-related compensation paid each fiscal year, including paid amounts and deferred payments and any proposed salary or performance incentive amounts (both payouts and assigned

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maximums) for PIC eligible senior management; provided, however, that the Commission will be responsible for determining compensation for the ED and the CIO. All performance-related compensation must be within the RSIC's approved annual budget for personal services.

## IV. SALARY MECHANICS

### (A) Base Salary

- 1) As approved by the Commission, total compensation is targeted at the 90th percentile of amounts paid by a select group of comparably sized U.S. public pension funds.
- 2) Base salaries for all employees, other than senior management, are determined by the ED and CIO in consultation with the Commission when appropriate, and within the approved annual budget for personal services.
- 3) The Commission will determine the base salaries of the ED and the CIO.
- 4) The Commission's Compensation Committee will determine the base salaries of RSIC employees other than the ED and the CIO with an annual base salary of \$150,000 or more.
- 5) Actual individual base salaries may vary above or below the targeted amount as determined by a number of factors including, but not limited to, an employee's experience, education, knowledge, skills, overall job performance, position within RSIC and within the RSIC's strategic goals and plans.

### (B) Legislative Salary Adjustments **(Note: A/K/A "Cost of Living Adjustments" or "COLAs")**

- 1) The South Carolina General Assembly may appropriate or authorize the expenditure of funds for state employee salary increases each fiscal year, which may depend on the employees' classification status.
- 2) RSIC employees will be granted a legislative increase if the annual Appropriations Act provides for state employees in the unclassified other (non-teachers) classification, consistent with the Budget and Control Board's allocation of funds.

### (C) Performance Related Components to Compensation

- 1) **Performance Incentive Compensation ("PIC"):** This component of performance-related compensation is contingent on the investment performance of the RSIC's total portfolio ("Portfolio"). The PIC Plan provides eligible RSIC employees prospective, non-recurring performance incentive compensation to be paid subsequent to the close of each fiscal year, consistent with the approved annual budget. This component of performance-related compensation is available to the RSIC's investment professionals. The CIO will make determinations regarding RSIC employees' eligibility to participate in the PIC Plan, in collaboration with the ED. Grievances will be handled as per Section VII (F) of this Policy.

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- 2) **Performance Increases:** This component of performance-related compensation is contingent on individual performance. Performance increases provide eligible RSIC employees the opportunity to earn a performance increase to his or her base salary. The performance increase will be determined by the results of the Employee Performance Management System (“EPMS”) review, achievement of Initiatives and Goals related to the Strategic Plan adopted by the Commission, and other contributions not necessarily related to investment performance.
- 3) **Other Salary Adjustments:** Nothing in this policy prohibits the ED and CIO from making adjustments to salaries of RSIC employees, excluding themselves and other members of senior management. Salary adjustments may be made based on an employee gaining additional skills or knowledge directly related to his or her job, an employee being assigned additional job duties or broader responsibilities, a reassignment of an employee to another position, or at other times the ED and CIO deem appropriate.
- 4) **Transition Provisions for Newly-Incentive Eligible Positions:** Transition provisions for newly-incentive eligible positions are set forth in Appendix A hereto.

## V. GUIDELINES & IMPLEMENTATION FOR THE PIC PLAN (NOTE: A/K/A “INCENTIVE PAY”)

### (A) Eligibility

- 1) As noted above, the PIC Plan is available to the RSIC’s investment professionals. However, potential PIC payouts for employees with less than one year in an eligible position, who are otherwise eligible for participation in the PIC Plan, are subject to proration in accordance with Section V(C)(1)(c) below.
- 2) Contract workers and temporary employees are not eligible to participate in the PIC Plan.
- 3) Except as otherwise provided by this Policy or applicable law, to be eligible to receive a PIC payout:
  - (a) Employees must be actively and continuously employed by the RSIC through, and on, the date of payout; and
  - (b) Employees must have an overall performance rating of at least “Meets Expectations” on his or her EPMS evaluation.

### (B) Plan Concept

- 1) The PIC Plan is designed to link a portion of eligible employees’ pay (i.e., their incentive pay) to the relative investment performance of the RSIC Portfolio.
- 2) Under the terms of this Plan, when the RSIC Portfolio out-performs the Policy Benchmark, employees will earn all or a portion of assigned individual maximum awards.
- 3) The PIC Plan’s mechanics are described in more detail below, but, in general:
  - (a) Near the beginning of each new fiscal year, the Commission will confirm, in writing the maximum PIC opportunity for each eligible position classification (e.g., Directors, Officers, Analysts). These maximum PIC amounts, which are expressed

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as a percentage of the participant’s annual base salary rate on the last day of the fiscal year immediately prior thereto:

- (i) Are calibrated to provide participants with total compensation levels that are equivalent to the 90<sup>th</sup> percentile of a select group of other U.S. public funds, in combination with base salary and at superior levels of performance.
  - (ii) Are expected to vary by position level, based on competitive pay requirements and each participant’s potential impact on RSIC’s overall performance.
  - (iii) May vary from year-to-year, in consideration of multiple factors, including, but not limited to, competitive market pay requirements and RSIC’s sustained performance.
- (b) Also near the beginning of each new fiscal year, the Commission will confirm, in writing, RSIC’s Performance-Award Scale. As illustrated below, the Performance-Award Scale defines the linkage between bps of out-performance and portions of the maximum incentive opportunity that are earned, if any.

<b>Performance-Award Scale – ILLUSTRATIVE ONLY</b>	
RSIC’s Actual Relative Investment Performance versus the Policy Benchmark (net of fees)	% of the Maximum Incentive that is Earned
0 bps or less (staff have not out-performed the b’mark)	0% (no payout)
+1 bp	[2%]
↕ *	↕ *
+50 bps or more (staff have added <i>significant</i> value)	100%
* Intermediate amounts are interpolated. For example, if staff added 25 bps of value, then they would earn 50% of their maximum incentive. If staff added 40 bps of value, then they would earn 80% of their maximum incentive.	

- (c) After the end of each fiscal year, the Commission will assess RSIC’s relative investment performance over three weighted time-intervals (i.e., 20%, 30%, and 50% for one year, three years, and five years, respectively) and will determine the portion of the maximum incentive that is earned, if any. PIC payments would be made within 180 days following fiscal year end, except (i) in years when RSIC’s absolute investment returns are negative, in which case other payout provisions would apply (*See PIC Payment in Negative Return Year, Section V (G)*), and (ii) as otherwise provided in this Policy or by applicable law.

- (d) **Transition Provisions for Newly- Incentive Eligible Positions:** Transition provisions for newly-incentive eligible positions are set forth in Appendix A hereto.

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**(C) Mechanics of PIC Plan**

**1) Effective Date and Performance Period**

- (a) Performance is measured for trailing one-, three-, and five-year periods as of June 30<sup>th</sup> of each year. This period will be referred to as the “Performance Period” and runs concurrently with the State of South Carolina’s fiscal year.
- (b) Fiscal Year ending June 30, 2012 (“FYE 2012”) is the first Performance Period subject to this Policy, as revised.
- (c) If an employee is eligible for participation in the PIC Plan for less than the entire Performance Period, then his or her potential PIC payout will be prorated based on weeks of eligible employment (actual number of weeks rounded down to the nearest full week divided by 52), unless another policy provision precludes eligibility. See *Eligibility, Section V(A)*.
- (d) This Compensation Policy amends the incentive compensation plans approved by the Commission previously and supersedes all prior incentive compensation plans and/or arrangements for RSIC employees, including PIC eligible senior management.

**2) PIC Payment Standards & Measurements**

- (a) All calculations of the Performance Metrics utilized by the Commission in connection with the Policy will be measured on a net-of-fees basis.
- (b) RSIC’s PIC Plan Performance Metrics provide an evaluation of one-year, three-year, and five-year performance to mitigate risk. Using multi-year periods of performance with an increased weighting on longer-term returns for evaluation discourages taking excessive risk and avoids unduly rewarding short-term success.
- (c) PIC payouts are linked to the investment results of the RSIC’s Portfolio, net-of-fees, versus respective benchmarks. Payouts according to the Performance Metrics calculations will be in the form of PIC payments in accordance with this Policy, subject, however, to the terms and conditions of this Policy and applicable law.
- (d) PIC payouts are based on actual returns, net of fees, versus the Policy Benchmark, which is a composite measure of RSIC’s overall Portfolio as if it were invested in index funds or other passive investment vehicles. In particular, the Policy Benchmark reflects index or index-like rates of return for each of RSIC’s asset classes multiplied by the percentage of RSIC’s assets that are allocated to each asset class under the AIP. By focusing on RSIC’s actual performance versus the Policy Benchmark, the Commission links employee incentives to the basis points of above-benchmark value-added associated with (1) varying RSIC’s actual asset allocation, within prescribed policy guidelines, above or below the target

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allocation, and (2) selecting individual external managers and/or investments that out-perform their associated indices.

**(D) Maximum PIC Opportunities**

- 1) The Commission will approve the maximum PIC opportunities for the different classes of PIC eligible positions. The maximum PIC opportunities are calibrated to provide participants, in combination with base salary, total cash compensation opportunities that are at the 90<sup>th</sup> percentile of amounts paid by a select group of comparably sized U.S. public pension funds. Actual individual maximum PIC opportunities for all eligible RSIC employees, other than the CIO, will be determined by the CIO, in consultation with the ED, and within the approved annual budget for personal services. The CIO's maximum incentive levels are reviewed and approved by the Commission.
- 2) Actual individual maximum PIC opportunities can vary from position-to-position and from year-to-year, as determined by (i) the Commission, with regard to the CIO, and (ii) the CIO, in consultation with the ED, with regard to other eligible RSIC employees, based on their assessment of multiple factors, including, but not limited to: sustained individual performance, position-specific accountabilities, and competitive pay requirements.
- 3) Maximum PIC opportunities are expressed as a percentage of the eligible employee's annual base salary rates as of the end of the immediately preceding fiscal year.
- 4) The ED and the CIO will maintain records relating to the actual individual maximum incentive opportunities, Performance-Award Scales, Performance Metrics and other compensation-related information provided to, and compensation-related decisions made by, the Commission and RSIC staff, as appropriate.

**(E) Calculations and Independent Review of Portfolio and Asset Class Performance**

- 1) Portfolio performance is measured annually as of June 30<sup>th</sup>. Portfolio performance results are initially computed by the Retirement System's Custodial Bank, then aggregated by staff and submitted to the Consultant for a second independent review.
- 2) The Consultant will independently review and verify in writing all investment performance calculations related to the PIC Plan prior to the issuance of any PIC payments.
- 3) The Consultant will also review the Portfolio for compliance with the AIP in effect during the Performance Period as an additional risk management measure.
- 4) The Consultant should complete the review of the Portfolio performance results and compliance not more than 60 days after fiscal year end.
- 5) The Commission should receive reports (Compliance Report and Investment Performance Review Report) after computation and review by the Custodial Bank and Consultant, no later than September 30<sup>th</sup> following the June 30<sup>th</sup> fiscal year end.

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- 6) The Commission must approve and deem the Compliance Report acceptable for the purposes of this policy. In the event the Commission finds the report or any portion of the report unacceptable, it may reduce PIC payouts or disqualify a group or an individual RSIC eligible employee. The Commission will review adjustments to the PIC payouts on a case-by-case basis.

**(F) PIC Payments**

- 1) The Commission must cause payment to be made to eligible employees who are entitled to receive a PIC payout within 180 days following the fiscal year end in which the payment has been earned, unless another provision of this Policy or any applicable law prohibits or defers eligibility of payment.
- 2) In order to effectuate payment within 180 days following the fiscal year end, the Commission must ensure the Comptroller General's Office, State Budget and Control Board, and any other appropriate agency receives all required documents in accordance with each agency's deadlines.
- 3) All PIC payouts must be within the RSIC's approved annual budget for personal services.

**(G) PIC Payment in Negative Return Year**

- 1) If the RSIC Portfolio experiences a total net return of:
  - (a) Between zero and minus ten percent for a fiscal year, the Commission retains the discretion to pay out or mandatorily defer all or a portion of earned PIC awards. Amounts that are mandatorily deferred, if any, would be subject to the provisions described below.
  - (b) More than minus ten percent (e.g., if the RSIC's absolute returns are minus eleven percent), then earned PIC awards for that fiscal year (exclusively) will be forfeited.
- 2) Subject to provisions associated with continued employment (as described below), mandatory deferrals associated with a negative return year will only be paid out following the next fiscal year that produces a positive total absolute return. Such payouts will:
  - (a) Be made within 180 days following the end of the first fiscal year associated with positive absolute returns.
  - (b) Be credited with "interest", at the end of each fiscal year, at an amount equal to RSIC's annual absolute rate of return, either positive or negative, during each fiscal year of the deferral (i.e., beginning with the commencement of the first year of deferral).
- 3) If prior to the normal payout date (as described above) of any mandatory deferrals and accrued interest, the employee separates from employment with RSIC due to:
  - (a) Death, disability and/or normal retirement (all as defined in Title 9 of the S.C. Code Ann.), deferred PIC payouts will be paid at the time he or she would have

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received the PIC payout if he or she had continued eligible employment with RSIC unless another provision of this Policy or any applicable law prohibits payment.

- (b) Any other reason, the employee will forfeit all rights under this Plan, including the right to receive payouts of any and/or all mandatory deferrals and accrued interest.
- 4) Former RSIC employees who separate from employment due to death, disability and/or normal retirement, or their heirs are responsible for providing and updating the former RSIC employee's current address to the RSIC administration in order for the RSIC to effectuate any PIC payment that becomes payable after the employee has separated from employment with RSIC.

#### **(H) Forfeiture**

- 1) Notwithstanding any other provision of this policy, if an RSIC employee commits fraud, malfeasance, or other egregious act, this may result in forfeiture by such employee of all PIC payout for the Performance Period in which the act occurred, as well as any earlier Performance Periods that have not yet become payable as set forth in this policy.
- 2) For all positions other than senior management, the CIO, in collaboration with the ED, will make all determinations with regard to offenses subject to forfeiture on a case-by-case basis. For senior management, the Commission will make all determinations with regard to offenses subject to forfeiture on a case-by-case basis.
- 3) For any and/or all RSIC employees, the Commission may hold in abeyance a decision regarding forfeiture of a potential PIC payout during the investigation of a possible violation until the conclusion of the investigation is complete and a final determination is made.

#### **(I) Plan Modification, Suspension and Termination**

- 1) There is no vested right to any benefits under the PIC Plan nor is there any guarantee to the continuing existence of the PIC Plan.
- 2) The Commission will have the right to modify the PIC Plan or any portion thereof at any time.

## **VI. GUIDELINES & IMPLEMENTATION FOR EMPLOYEE PERFORMANCE INCREASES (NOTE: A/K/A "PERFORMANCE INCREASES" OR "EPMS INCREASES")**

#### **(A) Eligibility**

- 1) Generally, all positions of RSIC are eligible positions under the Performance Increase Policy except for contract workers and temporary employees.
- 2) All Performance Increases must be allocated within the constraints of the RSIC's approved annual budget for personal services.

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**(B) Mechanics of Performance Increases**

**1) Effective Dates and Performance Period**

- (a) Performance Increases to base salary will be effective during the first pay period following the EPMS review for the Performance Period or as soon thereafter as practicable.
- (b) The Performance Period for Performance Increases will be in accordance with the RSIC *EPMS Policy*.
- (c) The ED will cause all required documents to be submitted to effect base salary increases in accordance with appropriate agency deadlines.

**2) Performance Increases Standards & Measurements**

- (a) Performance Increases are assessed in conjunction with PIC and base salary.
- (b) Employees with primary roles that are not necessarily reflected in the near-term investment results will have a greater opportunity for Performance Increases due to the limitations on eligibility for participation in, and payment under, the PIC Plan.
- (c) Performance Increases are directly linked to results of an employee's EPMS review.
- (d) In accordance with RSIC's Personnel Policies, all employees will be given an EPMS review, which serves as an annual appraisal of his or her performance.
  - (i) EPMS review is a collaborative process between each employee and his or her supervisor and includes job duties, objectives, desired performance characteristics, and comments or feedback.
  - (ii) Cooperation and participation toward fulfilling RSIC's Strategic Goals are evaluated in each RSIC employee's EPMS review along with other factors and criteria.
  - (iii) Employees should be evaluated annually.

**(C) Plan Modification, Suspension and Termination**

- 1) There is no vested right to any benefits under the Performance Increase provisions of the Compensation Policy nor is there any guarantee to the continuing existence of Performance Increases under this policy.
- 2) The Commission will have the right to modify the Performance Increase provisions of the Compensation Policy or any portion thereof at any time.

**VII. OTHER PLAN PROVISIONS**

**(A) At-will Employment**

- 1) Nothing in this policy or the implementation of the PIC Plan or any other portion of this policy alters the at-will nature of employment between the RSIC and its employees.

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- 2) Nothing in the adoption of this policy creates a contract between the RSIC, Retirement System, the State of South Carolina, and any RSIC employee or confers on any RSIC employee the right to continued employment with RSIC.
- 3) Nothing in the adoption of this policy affects the right of the RSIC to terminate the employment of any of its employees at any time.

**(B) Non-assignment and Non-transferability of PIC Payment:** Except as authorized in applicable law, any potential PIC payout or actual PIC payout under this policy is non-assignable and non-transferable and is not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind.

**(C) Plan Does Not Create a Trust or Entitlement**

- 1) Neither the adoption of this policy, nor the calculation of any potential PIC payout will be deemed to create a trust or entitlement of any kind.
- 2) No employee will have any security or other interest in any asset of the Retirement System by reason of this policy or approved annual personal services budget.

**(D) Taxes & Other Deductions**

- 1) All PIC payouts and/or Performance Increases paid under this policy will be subject to any deductions for tax and withholding required by the federal, state, or local law in effect at the time of payment and for any and all amounts that may be owed by the employee to the RSIC at the time of payment.
- 2) RSIC is not obligated to advise an employee of the existence of any tax or amount that RSIC will be required to withhold.

**(E) Eligibility for Retirement Purposes**

- 1) There is no intention for PIC payouts made pursuant to this policy to be eligible compensation for any RSIC pension plan purposes, and any payment(s) made pursuant to this policy are not eligible compensation for RSIC pension plan purposes.
- 2) Performance Increases are distinguished from PIC payouts in this policy and are eligible for pension plan purposes.

**(F) Grievances:** The Commission, in consultation with the CIO and the ED, will resolve and has final authority to resolve an RSIC employee's grievance or dispute arising from this Policy.

## VIII. POLICY REVIEW & HISTORY

**(A)** The Commission will review this policy at least every three years to ensure that it remains relevant and appropriate, or when there is an amendment to state law relevant to any section of this policy, or when there is a Commission approved change in the responsibilities, duties, or operations of the Commission generally.

(B) Policy Adopted: January 26, 2010.

(C) Policy Amended: April 21, 2011; July 21, 2011; May 17, 2012; May 23, 2013; March 13, 2014; June 3, 2014; and October 2, 2014.

## **IX. APPENDICES**

(A) Transition Provisions for Newly Incentive-Eligible Positions

(B) Fiscal Year 2013-2014 Determinations Made by Commission

Performance-Award Scale Applicable to FY 2013-2014

Maximum PIC Opportunities (by position classification)

## APPENDIX A

### Transition Provisions for Newly Incentive-Eligible Positions (i.e., new hires or support staff promoted into investment roles)

To ensure that earned incentives relate to performance “on the employee’s watch,” the Commission’s PIC Plan includes specific transition rules for employees who become newly incentive eligible. Under these rules, the relative weighting of these employees’ maximum incentive opportunities will shift over time as shown below.

Weighting of Maximum Incentives for Newly Eligible Positions					
	Year of Eligible Employment*				
	0-1	2	3	4	5
Quantitative:					
Most Recent One Year's Relative Inv. Perf.	50%	50%	30%	30%	20%
Trailing Second Year's Relative Investment Perf.		30%			
Rolling Three-Year's Relative Investment Perf.			70%	70%	30%
Rolling Five-Year's Relative Investment Perf.					50%
Qualitative:	50%	20%			

\*Eligible employees with less than a year of service will be subject to the proration described in Section (V)(C)(1)(c) and will be included in the “0-1” weighting in the table above. Years 1 through 5 of employment are based on full years of completed employment. (i.e. One year and eleven months of eligible employment will be treated as “0-1” years for purposes of this table.) Eligible employment time is not rounded up.

Quantitative portions of the maximum incentive would be determined as shown above.

The Qualitative portion of earned incentive would be determined based on a subjective assessment of the employee’s overall contribution to RSIC’s results. Qualitative payouts would be determined:

1. By the Commission, for the CIO (if this Appendix A is applicable); and
2. By the CIO, in consultation with the ED, for all other newly incentive-eligible RSIC employees.

## APPENDIX B

### FY 2014-2015 COMPENSATION PLAN DETERMINATIONS MADE BY THE COMMISSION

1. PERFORMANCE-AWARD SCALE APPLICABLE TO FY 2013-2014

Performance-Award Scale Applicable to FY 2013-2014	
RSIC's Actual Relative Investment Performance versus the Policy Benchmark (net of fees)	% of the Maximum Incentive that is Earned
0 bps or less (staff have not out-performed the b' mark)	0% (no payout)
+1 bp	2%
⬆ * ⬆ *	⬆ *
+50 bps or more (staff have added <i>significant</i> value)	100%
* Intermediate amounts are interpolated. For example, if staff added 25 bps of value, then they would earn 50% of their maximum incentive. If staff added 40 bps of value, then they would earn 80% of their maximum incentive.	

2. MAXIMUM PIC OPPORTUNITY FOR FY 2013-2014

RSIC Investment Professionals (By position classification)	Maximum PIC Incentive (percent of base salary)
1. CIO and Directors	100%
2. Officers	80%
3. Analysts	60%

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